

**BALLARD  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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**BALLARD COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2008 Election)**

Jean Saveraid	President	2009
Joyce Peterson	Vice President	2008
Kirk Peterson		2008
Tim Erickson		2011 *
David Jackson		2009

**(After September 2008 Election)**

Jean Saveraid	President	2009
Joyce Peterson	Vice President	2011
Kirk Peterson		2011
Tim Erickson		2011
David Jackson		2009

**School Officials**

John Speer	Superintendent
Janice Halverson	District Secretary/ Treasurer

\* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Payroll Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ballard Community School District, Huxley Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ballard Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2010 on our consideration of Ballard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ballard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 27, 2010

## **BALLARD COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,764,686 in fiscal 2008 to \$12,533,023 in fiscal 2009, (a seven percent increase) while General Fund expenditures increased from \$11,245,318 in fiscal 2008 to \$12,337,199 in fiscal 2009 (a ten percent increase).
- The increase in General Fund revenues was primarily attributable to increases in state and federal revenues. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased due to additional funding for the increased enrollment and the cash reserve levy.
- The Statewide Sales and Services Tax replaced the Local Option Sales and Services Tax in 2009. These monies are being used for improvements to district facilities. This tax allows the District to update its facilities for an expanding enrollment without raising property taxes.
- The District began planning for a new high school facility that was approved by the voters.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ballard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ballard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ballard Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Ballard Community School District Annual Financial Report***

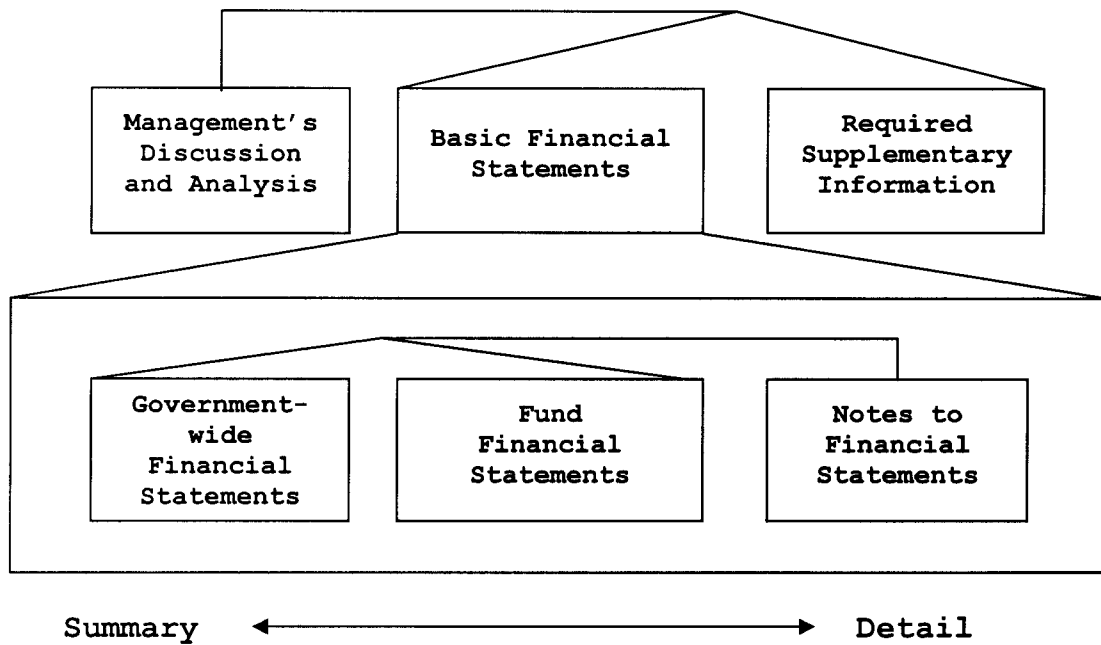


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present the School Nutrition Fund as a major fund.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

- *Agency Funds* - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
Governmental Activities		Business type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2009	2008	2009	2008	2009	2008	2008-2009	
Current assets	\$ 12,701	9,946	58	32	12,759	9,978	21.80%
Capital assets	13,164	10,880	17	21	13,181	10,901	17.30%
Total assets	25,865	20,826	75	53	25,940	20,879	19.51%
Current liabilities	9,677	8,493	13	2	9,690	8,495	12.33%
Non-current liabilities	6,263	4,825	-	-	6,263	4,825	22.96%
Total liabilities	15,940	13,318	13	2	15,953	13,320	16.50%
Net Assets							
Invested in capital assets, net of related debt	7,198	6,415	17	21	7,215	6,436	10.80%
Restricted	3,315	1,708	-	-	3,315	1,708	48.48%
Unrestricted	(588)	(615)	45	30	(543)	(585)	7.73%
Total net assets	\$ 9,925	7,508	62	51	9,987	7,559	24.31%

Combined net assets grew as a result of the District's investment in capital assets as well as increased General Fund and sales tax collections. The District has taken advantage of the local option and statewide sales and services taxes to expand its facilities in recent years. Unrestricted assets have increased primarily due to enrollment growth and cash reserve tax levies. Funding trails growth by a year and creates a strain on the General Fund budget. This delay in funding is part of the reason that the cash reserve levy is necessary.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 858	905	483	447	1,341	1,352	-0.81%
Operating grants, contributions and restricted interest	2,247	1,948	186	172	2,433	2,120	14.76%
General revenues:							
Property tax	4,301	4,018	-	-	4,301	4,018	7.04%
Income surtax	264	-	-	-	264	-	100.00%
Statewide sales and services tax	1,452	1,311	-	-	1,452	1,311	10.76%
Unrestricted state grants	6,424	6,193	-	-	6,424	6,193	3.73%
Unrestricted investment earnings	46	81	-	-	46	81	-43.21%
Other	5	19	-	-	5	19	-73.68%
Total revenues	15,597	14,475	669	619	16,266	15,094	7.76%
Program expenses:							
Governmental activities:							
Instruction	8,556	7,688	-	-	8,556	7,688	11.29%
Support Services	3,056	3,781	-	-	3,056	3,781	-19.17%
Non-instructional programs	3	5	658	646	661	651	1.54%
Other expenses	1,565	1,961	-	-	1,565	1,961	-20.19%
Total expenses	13,180	13,435	658	646	13,838	14,081	-1.73%
Change in net assets	\$ 2,417	1,040	11	(27)	2,428	1,013	139.68%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$15,597,109 and expenses were \$13,180,393 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

	Figure A-5					
	Total and Net Cost of Governmental Activities					
	(Expressed in Thousands)					
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	8,556	7,688	11.29%	6,026	5,424	11.10%
Support Services	3,056	3,781	-19.17%	3,034	3,762	-19.35%
Noninstructional Programs	3	5	-40.00%	3	5	-40.00%
Other expenses	1,565	1,961	-20.19%	1,012	1,391	-27.25%
Totals	<u>\$ 13,180</u>	<u>13,435</u>	<u>-1.90%</u>	<u>10,075</u>	<u>10,582</u>	<u>-4.79%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$858,304.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,297,361.
- The net cost of governmental activities was financed with \$4,300,270 in property tax, and \$6,423,741 in state foundation aid.

## Business-Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$669,260 and expenses totaled \$658,591. The District's sole business type activity is the School Nutrition Fund. Revenues of this activity is comprised of charges for service, federal and state reimbursements and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Ballard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,916,308, a ninety-nine percent increase over last year's ending fund balances of \$1,467,629. The primary reason was borrowing \$2.5 million of capital projects funds that will be spent in fiscal 2010.

## **Governmental Fund Highlights**

- The District's General Fund balance increased as a result of increased enrollment and cash reserve levies. Allowable growth of 2% is inadequate to keep up with increasing enrollment requirements.
- A 1.5% state aid cut was a major setback to the General Fund.
- The District continues to expand its facilities to meet the expanding enrollment primarily through the use of statewide sales and services tax revenues.
- The District's resident enrollment and open enrollment has continued to increase. This will allow the District to continue to grow, however, funding follows expenditures by a full year in many cases.

## **Proprietary Fund Highlights**

The School Nutrition fund increased during the year by 21%. The District has continued its agreement with Taher Inc. to manage the nutrition program.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35. The District did not exceed its General Fund unspent authorized budget.

## **Legal Budgetary Highlights**

The District's receipts were over \$179,000 greater than budgeted receipts, a variance of 1%. The variance resulted from the District receiving more revenue than originally anticipated from local and federal sources.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District amended its budget during the year due to additional building costs and increased enrollment.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2009, the District had invested \$13.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 21% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$704,111.

The original cost of the District's capital assets was \$20,767,362. Governmental funds account for \$20,719,032, with the remainder of \$48,330 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 610	613	-	-	610	613	-0.49%
Construction in progress	866	-	-	-	866	-	100.00%
Site improvements	850	981	-	-	850	981	-13.35%
Buildings	10,246	8,610	-	-	10,246	8,610	19.00%
Furniture and equipment	592	676	17	22	609	698	-12.75%
Totals	<u>\$ 13,164</u>	<u>10,880</u>	<u>17</u>	<u>22</u>	<u>13,181</u>	<u>10,902</u>	<u>20.90%</u>

### Long-Term Debt

At June 30, 2009, the District had over \$6.2 million in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 30% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Notes 4, 11 and 14 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 905	1,320	-31.44%
GO bond anticipation	2,500	-	100.00%
Early retirement	298	359	-16.99%
Revenue bonds	<u>2,560</u>	<u>3,145</u>	<u>-18.60%</u>
Total	<u>\$ 6,263</u>	<u>4,824</u>	<u>29.83%</u>

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed in Story County and money began to be received by the District in July of 2003. This was replaced by the statewide sales and services tax in 2009. This money is being used for various building/remodeling projects and property tax relief throughout the District.
- The District has experienced increasing enrollment the past several years. This has caused short-term cash flow problems, as funding follows enrollment, not precedes it.
- Since July 1, 2009, the State of Iowa enacted a 10% across the board cut in state funding. This, coupled with inadequate allowable growth, will hamper the District's efforts to attain a strong General Fund position.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).

- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Halverson, District Secretary, Ballard Community School District, 602 N Main, PO Box 307, Huxley, IA 50124.

## Basic Financial Statements



## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,920,997	51,259	3,972,256
ISCAP investments	3,206,800	-	3,206,800
Receivables:			
Property tax			
Current year	64,093	-	64,093
Succeeding year	5,100,355	-	5,100,355
Income surtax - succeeding year	124,120	-	124,120
Due from other governments	144,208	-	144,208
Other receivables	52,024	-	52,024
Accrued interest receivable	6,044	-	6,044
ISCAP accrued interest receivable	5,823	-	5,823
Inventories	-	6,769	6,769
Prepaid expenses	76,594	-	76,594
Capital assets, net of accumulated depreciation	13,163,491	17,410	13,180,901
<b>Total assets</b>	<b>25,864,549</b>	<b>75,438</b>	<b>25,939,987</b>
<b>Liabilities</b>			
Accounts payable	82,717	13,058	95,775
Accrued payroll and benefits	1,252,002	-	1,252,002
Accrued interest payable	16,147	-	16,147
ISCAP unamortized premium	54,934	-	54,934
ISCAP warrants payable	3,159,000	-	3,159,000
ISCAP accrued interest payable	10,509	-	10,509
Deferred revenue:			
Succeeding year property tax	5,100,355	-	5,100,355
Federal programs	1,113	-	1,113
Long term liabilities:			
Portion due within one year:			
Early retirement	94,246	-	94,246
General obligation bonds	440,000	-	440,000
General obligation bond anticipation notes	2,500,000	-	2,500,000
Revenue bonds	605,000	-	605,000
Portion due after one year:			
Early retirement	203,498	-	203,498
General obligation bonds	465,000	-	465,000
Revenue bonds	1,955,000	-	1,955,000
<b>Total liabilities</b>	<b>15,939,521</b>	<b>13,058</b>	<b>15,952,579</b>

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental	Business Type Activities	
	Activities	School Nutrition	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,198,491	17,410	7,215,901
Restricted for:			
Debt service	81,079	-	81,079
Capital projects	2,536,943	-	2,536,943
Physical plant and equipment	172,454	-	172,454
Management levy	166,715	-	166,715
Student activities	162,109	-	162,109
Categorical funding	89,091	-	89,091
Other reserved funding	29,328	-	29,328
Prepaid expenses	76,594	-	76,594
Unrestricted	(587,776)	44,970	(542,806)
<b>Total net assets</b>	<u>\$ 9,925,028</u>	<u>62,380</u>	<u>9,987,408</u>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 8,555,838	856,404	1,673,733	(6,025,701)	-	(6,025,701)
Support services:						
Student services	432,881	-	-	(432,881)	-	(432,881)
Instructional staff services	528,455	-	-	(528,455)	-	(528,455)
Administration services	1,300,294	-	-	(1,300,294)	-	(1,300,294)
Operation and maintenance of plant services	237,015	-	20,279	(216,736)	-	(216,736)
Transportation services	557,309	1,900	-	(555,409)	-	(555,409)
	3,055,954	1,900	20,279	(3,033,775)	-	(3,033,775)
Non-instructional programs	3,091	-	-	(3,091)	-	(3,091)
Other expenditures:						
Facilities acquisition	168,312	-	62,444	(105,868)	-	(105,868)
Interest on long-term debt	211,500	-	5,099	(206,401)	-	(206,401)
AEA flowthrough	485,745	-	485,745	-	-	-
Depreciation (unallocated)*	699,953	-	-	(699,953)	-	(699,953)
	1,565,510	-	553,288	(1,012,222)	-	(1,012,222)
Total governmental activities	13,180,393	858,304	2,247,300	(10,074,789)	-	(10,074,789)

**BALLARD COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	658,591	483,069	186,191	-	10,669	10,669
Total	\$ 13,838,984	1,341,373	2,433,491	(10,074,789)	10,669	(10,064,120)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,381,635	-	3,381,635
Management Fund				307,504	-	307,504
Capital outlay				128,400	-	128,400
Debt service				482,731	-	482,731
Income surtax - PPEL fund				263,578	-	263,578
Statewide sales and services tax				1,451,986	-	1,451,986
Unrestricted state grants				6,423,741	-	6,423,741
Unrestricted investment earnings				46,392	-	46,392
Undepreciated basis in land transferred to City of Slater				(3,000)	-	(3,000)
Other				8,538	-	8,538
Total general revenues				12,491,505	-	12,491,505
Change in net assets				2,416,716	10,669	2,427,385
Net assets beginning of year				7,508,312	51,711	7,560,023
Net assets end of year				\$ 9,925,028	62,380	9,987,408

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,025,405	90,878	2,431,901	372,813	3,920,997
ISCAP investments	3,206,800	-	-	-	3,206,800
Receivables:					
Property tax:					
Current year	51,396	6,277	-	6,420	64,093
Succeeding year	3,402,294	1,102,670	-	595,391	5,100,355
Income surtax - succeeding year	-	-	-	124,120	124,120
Due from other governments	39,095	71	105,042	-	144,208
Other receivables	52,024	-	-	-	52,024
Accrued interest receivable	6,044	-	-	-	6,044
ISCAP accrued interest	5,823	-	-	-	5,823
Prepaid expenses	76,594	-	-	-	76,594
<b>Total assets</b>	<b>\$ 7,865,475</b>	<b>1,199,896</b>	<b>2,536,943</b>	<b>1,098,744</b>	<b>12,701,058</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 80,642	-	-	2,075	82,717
Accrued payroll and benefits	1,252,002	-	-	-	1,252,002
ISCAP unamortized premium	54,934	-	-	-	54,934
ISCAP warrants payable	3,159,000	-	-	-	3,159,000
ISCAP accrued interest payable	10,509	-	-	-	10,509
Deferred revenue:					
Succeeding year property tax	3,402,294	1,102,670	-	595,391	5,100,355
Succeeding year income surtax	-	-	-	124,120	124,120
Federal programs	1,113	-	-	-	1,113
<b>Total liabilities</b>	<b>7,960,494</b>	<b>1,102,670</b>	<b>-</b>	<b>721,586</b>	<b>9,784,750</b>
Fund balances:					
Reserved for:					
Debt service	-	97,226	-	-	97,226
Capital projects	-	-	2,536,943	-	2,536,943
Categorical funding	89,091	-	-	-	89,091
Other reserved funding	29,328	-	-	-	29,328
Prepaid expenses	76,594	-	-	-	76,594
Unreserved	(290,032)	-	-	377,158	87,126
<b>Total fund balances</b>	<b>(95,019)</b>	<b>97,226</b>	<b>2,536,943</b>	<b>377,158</b>	<b>2,916,308</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,865,475</b>	<b>1,199,896</b>	<b>2,536,943</b>	<b>1,098,744</b>	<b>12,701,058</b>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 2,916,308
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**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is included as a receivable in the Statement of Net Assets.	124,120
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,163,491
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(16,147)
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Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement	\$ (297,744)	
General obligation bonds	(905,000)	
General obligation bond anticipation notes	(2,500,000)	
Revenue bonds	<u>(2,560,000)</u>	<u>(6,262,744)</u>

<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 9,925,028</u></b>
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## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 3,381,635	482,731	1,451,986	575,362	5,891,714
Tuition	830,879	-	-	-	830,879
Other	114,094	4,872	62,444	365,139	546,549
State sources	7,843,085	227	-	205	7,843,517
Federal sources	363,330	-	-	-	363,330
Total revenues	<u>12,533,023</u>	<u>487,830</u>	<u>1,514,430</u>	<u>940,706</u>	<u>15,475,989</u>
Expenditures:					
Instruction:	<u>8,186,541</u>	<u>-</u>	<u>-</u>	<u>431,165</u>	<u>8,617,706</u>
Support services:					
Student services	431,984	-	-	897	432,881
Instructional staff services	478,346	-	-	122,420	600,766
Administration services	1,209,537	750	-	90,007	1,300,294
Operation and maintenance of plant services	1,023,528	-	-	79,152	1,102,680
Transportation services	518,427	-	-	38,882	557,309
	<u>3,661,822</u>	<u>750</u>	<u>-</u>	<u>331,358</u>	<u>3,993,930</u>
Non-instructional programs:					
Community service and education	<u>3,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,091</u>
Other expenditures:					
Facilities acquisition and construction services	-	-	2,217,070	-	2,217,070
Principal on long-term debt	-	1,000,000	-	-	1,000,000
Interest on long-term debt	-	209,768	-	-	209,768
AEA flowthrough	485,745	-	-	-	485,745
	<u>485,745</u>	<u>1,209,768</u>	<u>2,217,070</u>	<u>-</u>	<u>3,912,583</u>
Total expenditures	<u>12,337,199</u>	<u>1,210,518</u>	<u>2,217,070</u>	<u>762,523</u>	<u>16,527,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>195,824</u>	<u>(722,688)</u>	<u>(702,640)</u>	<u>178,183</u>	<u>(1,051,321)</u>
Other financing sources (uses):					
Proceeds of long-term debt	-	-	2,500,000	-	2,500,000
Operating transfers in	-	728,918	-	-	728,918
Operating transfers out	-	-	(728,918)	-	(728,918)
Total other financing sources (uses)	<u>-</u>	<u>728,918</u>	<u>1,771,082</u>	<u>-</u>	<u>2,500,000</u>
Net change in fund balances	195,824	6,230	1,068,442	178,183	1,448,679
Fund balances beginning of year	<u>(290,843)</u>	<u>90,996</u>	<u>1,468,501</u>	<u>198,975</u>	<u>1,467,629</u>
Fund balances end of year	<u>\$ (95,019)</u>	<u>97,226</u>	<u>2,536,943</u>	<u>377,158</u>	<u>2,916,308</u>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 1,448,679

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's  
fiscal year ends are not considered "available" revenues in the  
governmental funds and are included as deferred revenues. They are,  
however, recorded as revenues in the statement of activities

This represents the change in income surtax receivable from FY08 to FY09 124,120

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are not  
reported in the Statement of Net Activities and are allocated over their  
estimated useful lives as depreciation expense in the Statement of  
Activities. The amounts of capital outlays and depreciation expense  
in the year are as follows:

Capital outlays	\$ 2,986,734	
Depreciation expense	<u>(699,953)</u>	2,286,781

Undepreciated basis in land transferred to City of Slater (3,000)

Proceeds from issuing long-term liabilities provide current financial  
resources to governmental funds, but issuing debt increases long-term  
liabilities in the Statement of Net Assets. Repayment of long-term debt  
liabilities is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the Statement of Net  
Assets. Current year repayments exceeded issues, as follows:

Issued	(2,500,000)	
Repayments	<u>1,000,000</u>	(1,500,000)

Interest on long-term debt in the Statement of Activities differs from  
the amount reported in the governmental funds because interest is  
reported as an expenditure in the funds when due. In the Statement  
of Activities, interest expense is recorded as the interest accrues,  
regardless of when it is due. (1,732)

Some expenses reported in the Statement of Activities do not  
require the use of current financial resources and, therefore,  
are not reported as expenditures in the governmental funds.

Early retirement		<u>61,868</u>
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Change in net assets of governmental activities (Exhibit B) \$ 2,416,716

See notes to financial statements.



## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 483,069
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	191,870
Benefits	69,026
Services	62,790
Supplies	330,747
Depreciation	4,158
Total operating expenses	<u>658,591</u>
Operating (loss)	<u>(175,522)</u>
Non-operating revenues:	
Interest on investments	249
State sources	6,773
Federal sources	<u>179,169</u>
	<u>186,191</u>
Change in net assets	10,669
Net assets beginning of year	<u>51,711</u>
Net assets end of year	<u>\$ 62,380</u>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 483,666
Cash payments to employees for services	(260,896)
Cash payments to suppliers for goods or services	<u>(350,085)</u>
Net cash (used by) operating activities	<u>(127,315)</u>
Cash flows from non-capital financing activities:	
State grants received	6,773
Federal grants received	<u>147,446</u>
Net cash provided by non-capital financing activities	<u>154,219</u>
Cash flows from investing activities:	
Interest on investments	<u>249</u>
Net increase in cash and cash equivalents	27,153
Cash and cash equivalents beginning of year	<u>24,106</u>
Cash and cash equivalents end of year	<u><u>\$ 51,259</u></u>
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>	
Operating (loss)	\$ (175,522)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	4,158
Commodities used	31,723
Decrease in other receivables	597
Decrease in inventory	301
Increase in accounts payable	<u>11,428</u>
	<u><u>\$ (127,315)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$31,723.

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	<u>Agency</u>
<b>Assets</b>	
Cash	\$ <u>1,931</u>
<b>Total assets</b>	<u>1,931</u>
<b>Liabilities</b>	
Other payables	<u>1,931</u>
<b>Total liabilities</b>	<u>1,931</u>
<b>Net assets</b>	\$ <u><u>-</u></u>

See notes to financial statements.

# BALLARD COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies

Ballard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Huxley, Slater, Cambridge and Kelley, Iowa, and agricultural area in Story, Polk and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Ballard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Ballard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund (by District election):

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ending June 30, 2009, expenditures did not exceed the amended budget amounts in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$1,529,427</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.



### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 613,247	-	3,000	610,247
Construction in progress	-	865,665	-	865,665
	<u>613,247</u>	<u>865,665</u>	<u>3,000</u>	<u>1,475,912</u>
Capital assets being depreciated:				
Buildings	13,002,442	2,006,270	-	15,008,712
Improvements other than buildings	1,628,364	42,488	-	1,670,852
Furniture and Equipment	2,491,245	72,311	-	2,563,556
Total capital assets being depreciated	<u>17,122,051</u>	<u>2,121,069</u>	<u>-</u>	<u>19,243,120</u>
Less accumulated depreciation for:				
Buildings	4,392,547	370,337	-	4,762,884
Improvements other than buildings	647,303	173,506	-	820,809
Furniture and Equipment	1,815,738	156,110	-	1,971,848
Total accumulated depreciation	<u>6,855,588</u>	<u>699,953</u>	<u>-</u>	<u>7,555,541</u>
Total capital assets being depreciated, net	<u>10,266,463</u>	<u>1,421,116</u>	<u>-</u>	<u>11,687,579</u>
Governmental activities, capital assets, net	<u>\$ 10,879,710</u>	<u>2,286,781</u>	<u>3,000</u>	<u>13,163,491</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 48,925	-	595	48,330
Less accumulated depreciation	<u>27,357</u>	<u>4,158</u>	<u>595</u>	<u>30,920</u>
Business type activities capital assets, net	<u>\$ 21,568</u>	<u>(4,158)</u>	<u>-</u>	<u>17,410</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 699,953</u>
Business Type activities:				
Food service operations				<u>\$ 4,158</u>

### (4) General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

January 1, 1998 Refinancing				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2010	5.00%	\$440,000	45,715	485,715
2011	5.10	<u>465,000</u>	<u>23,715</u>	<u>488,715</u>
Total		<u>\$905,000</u>	<u>69,430</u>	<u>974,430</u>

(5) **Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	<u>GO Bond Anticipation Notes</u>	<u>Early Retirement</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$ -	359,612	1,320,000	3,145,000	4,824,612
Additions	2,500,000	41,849	-	-	2,541,849
Reductions	-	103,717	415,000	585,000	1,103,717
Balance end of year	<u>\$2,500,000</u>	<u>297,744</u>	<u>905,000</u>	<u>2,560,000</u>	<u>6,262,744</u>

(6) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2008-09A	6/26/08	6/25/09	\$ -	-	-	-	-
2008-09B	1/21/09	1/21/10	745,435	5,519	736,000	9,679	8,030
2009-10A	6/25/09	6/23/10	2,461,365	304	2,423,000	830	46,904
Total			<u>\$3,206,800</u>	<u>5,823</u>	<u>3,159,000</u>	<u>10,509</u>	<u>54,934</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	\$ -	1,600,000	1,600,000	-
2008-09B	-	700,000	700,000	-
	<u>\$ -</u>	<u>2,300,000</u>	<u>2,300,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$483,870, \$405,580, and \$360,038 respectively, equal to the required contributions for each year.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$485,745 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Early Retirement**

The District offered an early retirement program to all employees who were employed at least 30 hours per week on a regular contract during the 2006-2007 contract year, were 55 years of age as of June 30, 2009 and had been employed by the District for at least fifteen consecutive years. Early retirement benefits are comprised of thirty percent of the 2006-2007 regular salary plus a per diem of \$100 for licensed employees or \$50 for support staff employees for each day of unused sick leave up to a maximum of 125 days. Benefits will be paid in three annual payments beginning in January, 2008. Early retirement benefits paid during the year ended June 30, 2009 totaled \$103,717. A long-term liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

**(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Revenue Bonds Payable**

Details of the District's June 30, 2009 Statewide Sales and Services Tax Revenue Bond Anticipation Project Notes are as follows:

Year Ending June 30,	March, 2005 Issue		
	Interest	Principal	Total
2010	\$ 88,795	605,000	693,795
2011	69,133	630,000	699,133
2012	47,712	650,000	697,712
2013	24,638	675,000	699,638
Total	<u>\$230,278</u>	<u>2,560,000</u>	<u>2,790,278</u>

The debt will be repaid with proceeds of statewide sales and services tax for school infrastructure.

The District has pledged future statewide sales and services tax revenues to repay the \$3,145,000 bonds issued in March 2005. The bonds were issued for the purpose of financing a portion of the costs of additions to and remodeling of existing facilities. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2013. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 50 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$2,790,278. For the current year \$691,930 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$1,451,986.

The resolution providing for the issuance of the local option and services tax revenue bonds includes the following provisions:

- a) \$314,500 of the proceeds from the issuance of the revenue bonds are deposited in a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The balance of this account at June 30, 2009 was \$165,688.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The required reserve account was established by the District and had a balance of \$314,500 at June 30, 2009.

## **(12) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$728,918</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## **(13) Commitment**

The District has committed to contracts in excess of \$20 million for the construction of a new high school facility. The facility will be paid for from proceeds of a combination of general obligation and revenue bonds. The general obligation bonds will be repaid from a property tax levy approved by the voters of the District. The revenue bonds will be repaid from proceeds of the statewide sales and services tax. These bonds were issued after June 30, 2009.

## **(14) General Obligation Bond Anticipation Note**

The District issued a \$2.5 million general obligation bond anticipation note in January, 2009 in order to facilitate the beginning of the high school construction project prior to issuance of the primary bond issues. This money is to be repaid in December, 2009 from proceeds of the first general obligation bond issue.

Required Supplementary Information

# **BALLARD COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

## Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance
	Actual	Actual	Actual	Original      Final	
<b>Revenues:</b>					
Local sources	\$ 7,269,142	483,318	7,752,460	7,659,211	93,249
State sources	7,843,517	6,773	7,850,290	7,947,997	(97,707)
Federal sources	363,330	179,169	542,499	359,000	183,499
Total revenues	<u>15,475,989</u>	<u>669,260</u>	<u>16,145,249</u>	<u>15,966,208</u>	<u>179,041</u>
<b>Expenditures/expenses:</b>					
Instruction	8,617,706	-	8,617,706	8,271,000	82,294
Support services	3,993,930	-	3,993,930	4,135,000	506,070
Non-instructional programs	3,091	658,591	661,682	638,000	38,318
Other expenditures	3,912,583	-	3,912,583	5,964,739	2,087,417
Total expenditures/expenses	<u>16,527,310</u>	<u>658,591</u>	<u>17,185,901</u>	<u>19,008,739</u>	<u>2,714,099</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(1,051,321)</u>	<u>10,669</u>	<u>(1,040,652)</u>	<u>(3,042,531)</u>	<u>2,893,140</u>
Other financing sources (uses)	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>14,500,000</u>	<u>(12,000,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	<u>1,448,679</u>	<u>10,669</u>	<u>1,459,348</u>	<u>11,457,469</u>	<u>(9,106,860)</u>
Balance beginning of year	<u>1,467,629</u>	<u>51,711</u>	<u>1,519,340</u>	<u>1,460,409</u>	<u>(396,816)</u>
Balance end of year	<u>\$ 2,916,308</u>	<u>62,380</u>	<u>2,978,688</u>	<u>12,917,878</u>	<u>(9,503,676)</u>

See accompanying independent auditor's report.

**BALLARD COMMUNITY SCHOOL DISTRICT**

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$891,261.

During the year ended June 30, 2009, expenditures did not exceed the amended budget amounts in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

**Other Supplementary Information**



## BALLARD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2009

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 161,984	164,184	46,645	372,813
Property tax receivable:				
Current year	4,731	-	1,689	6,420
Succeeding year	280,000	-	315,391	595,391
Income surtax - succeeding year	-	-	124,120	124,120
<b>Total assets</b>	<u>\$ 446,715</u>	<u>\$ 164,184</u>	<u>\$ 487,845</u>	<u>\$ 1,098,744</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	\$ -	2,075	-	2,075
Deferred revenue:				
Succeeding year property tax	280,000	-	315,391	595,391
Succeeding year income surtax	-	-	124,120	124,120
	<u>280,000</u>	<u>2,075</u>	<u>439,511</u>	<u>721,586</u>
Fund balance:				
Unreserved fund balance	<u>166,715</u>	<u>162,109</u>	<u>48,334</u>	<u>377,158</u>
	<u>166,715</u>	<u>162,109</u>	<u>48,334</u>	<u>377,158</u>
<b>Total liabilities and fund balance</b>	<u>\$ 446,715</u>	<u>164,184</u>	<u>487,845</u>	<u>1,098,744</u>

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2009

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 307,504	-	267,858	575,362
Other	20,004	345,065	70	365,139
State sources	145	-	60	205
Total revenues	<u>327,653</u>	<u>345,065</u>	<u>267,988</u>	<u>940,706</u>
Expenditures:				
Instruction:	100,881	330,284	-	431,165
Support services:				
Student support services	897	-	-	897
Instructional staff support	5,813	2,071	114,536	122,420
Administration services	28,030	-	61,977	90,007
Plant operation and maintenance	79,152	-	-	79,152
Student transportation	38,882	-	-	38,882
Total expenditures	<u>253,655</u>	<u>332,355</u>	<u>176,513</u>	<u>762,523</u>
Excess of revenues over expenditures	73,998	12,710	91,475	178,183
Fund balances beginning of year	<u>92,717</u>	<u>149,399</u>	<u>(43,141)</u>	<u>198,975</u>
Fund balances end of year	<u>\$ 166,715</u>	<u>162,109</u>	<u>48,334</u>	<u>377,158</u>

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Speech	6,051	2,602	5,150	3,503
Vocal Music	3,571	35,408	33,030	5,949
Elementary Vocal	483	-	70	413
Instrumental Music	25,297	64,593	61,735	28,155
Music Account	-	8,366	8,441	(75)
Elementary Band	4,832	587	522	4,897
Drill Team	976	2,147	1,748	1,375
Yearbook	4,121	13,116	10,603	6,634
Elementary Activities	2,965	2,730	1,969	3,726
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	437	3,865	3,179	1,123
Pep Club	870	15,899	14,568	2,201
Spanish Club	2,492	186	(1,133)	3,811
SADD	755	199	184	770
Junior High Student Council	228	-	-	228
Senior High Student Council	2,358	5,548	7,127	779
National Honor Society	1,866	7,246	8,162	950
Conflict Managers	794	1,239	1,122	911
East Elementary Student Council	721	6,371	2,400	4,692
West Elementary Student Council	2,600	8,129	2,997	7,732
Class of 2008	3,069	-	3,069	-
Class of 2009	1,163	2,169	2,816	516
Class of 2010	839	15,889	14,198	2,530
Class of 2011	264	545	247	562
Class of 2012	214	192	106	300
Class of 2013	106	36	-	142
Class of 2014	-	100	-	100
Athletic Director	59,049	12,744	20,026	51,767
Boys Basketball	3,503	7,892	7,892	3,503
Football	2,683	19,817	19,817	2,683
Soccer	928	4,479	4,478	929
Baseball	350	7,871	7,731	490
Boys Track	821	9,626	9,591	856
Boys Tennis	167	2,051	1,882	336
Boys Golf	500	1,865	1,813	552
Wrestling	500	11,243	9,271	2,472
Girls Basketball	2,831	12,193	10,500	4,524
Volleyball	1,836	4,806	4,806	1,836
Girls Soccer	500	5,179	4,879	800
Girls Softball	3,286	7,563	7,563	3,286
Girls Track	988	14,107	13,772	1,323
Girls Tennis	157	2,099	1,932	324
Girls Golf	500	1,354	1,354	500
Concessions	-	23,014	22,738	276
Weight Program	3,643	-	-	3,643
Totals	\$ 149,399	345,065	332,355	162,109

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2009

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Character Education Council	\$ 79	-	-	79
Clothes Pantry	109	5,265	5,186	188
East Elementary	536	194	24	706
Junior-Senior High	471	1,201	1,349	323
West Elementary	1,030	343	738	635
	<u>\$ 2,225</u>	<u>7,003</u>	<u>7,297</u>	<u>1,931</u>

See accompanying independent auditor's report.

# **BALLARD COMMUNITY SCHOOL DISTRICT**

## Schedule of Revenues by Source and Expenditures by Function All Governmental Funds

For the Last Six Years

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
	2004				
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 5,891,714	5,329,018	4,879,386	4,627,185	4,598,049
Tuition	830,879	878,697	811,694	773,489	649,687
Other	546,549	693,691	643,936	509,553	438,186
State sources	7,843,517	7,388,811	6,872,971	6,014,905	5,693,100
Federal sources	363,330	184,504	177,730	219,892	184,202
<b>Total</b>	<u>\$ 15,475,989</u>	<u>14,474,721</u>	<u>13,385,717</u>	<u>12,145,024</u>	<u>11,563,224</u>
					<u>4,251,051</u>
					<u>626,000</u>
					<u>406,488</u>
					<u>5,293,766</u>
					<u>171,237</u>
					<u>10,748,542</u>
<b>Expenditures:</b>					
Instruction	\$ 8,617,706	7,884,661	7,577,797	7,030,787	6,610,369
Support services:					
Student	432,881	363,167	298,544	364,469	341,803
Instructional staff	600,766	505,584	389,501	594,030	451,892
Administration	1,300,294	1,454,255	1,310,795	1,103,129	834,437
Operation and maintenance of plant	1,102,680	1,040,844	983,383	1,070,935	1,006,349
Transportation	557,309	577,067	537,001	622,261	419,560
Non-instructional programs:					
Community service and education	3,091	4,730	2,776	5,224	4,199
Other expenditures:					
Facilities acquisition	2,217,070	766,441	177,431	1,767,109	1,555,035
Debt service:					
Principal	1,000,000	2,120,000	375,000	1,160,000	947,296
Interest and service charges	209,768	242,930	260,743	303,280	228,619
AEA flowthrough	485,745	442,195	407,705	362,333	344,575
<b>Total</b>	<u>\$ 16,527,310</u>	<u>15,401,874</u>	<u>12,320,676</u>	<u>14,383,557</u>	<u>12,744,134</u>
					<u>2,131,283</u>
					<u>438,539</u>
					<u>179,719</u>
					<u>337,192</u>
					<u>12,261,534</u>

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY09	\$ 15,814
Food Distribution (non-cash)	10.555	FY09	31,723
National School Lunch Program	10.555	FY09	<u>131,632</u>
			<u>179,169</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3195-G-09	85,239
ARRA - Title I Grants to Local Educational Agencies Recovery Act	84.389	FY09	7,980
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY09	113,810
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY09	3,091
Grants for Assessments and Related Activities	84.369	FY09	9,854
Improving Teacher Quality - States Grants	84.367	FY09	29,385
Vocational Education - Basic Grants to States	84.048	FY09	5,493
Heartland Area Education Agency 11			
Special Education - Grants to States (IDEA Part B)	84.027	FY09	68,906
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY09	<u>39,572</u>
Total			<u>\$ 542,499</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Ballard Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**BRUCE D. FRINK**  
Certified Public Accountant

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Board of Education of  
Ballard Community School District:

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Ballard Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 27, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Ballard Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ballard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ballard Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ballard Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ballard Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ballard Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Ballard Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ballard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance or other matters to be mentioned in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ballard Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ballard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ballard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 27, 2010



# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Payroll Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Ballard Community School District:

### Compliance

We have audited the compliance of Ballard Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Ballard Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ballard Community School District's management. Our responsibility is to express an opinion on Ballard Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ballard Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ballard Community School District's compliance with those requirements.

In our opinion Ballard Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control over Compliance

The management of Ballard Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ballard Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ballard Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Ballard Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ballard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 27, 2010

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund Education State Grants, Recovery ActSchool Nutrition Clustered Programs:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ballard Community School District did not qualify as a low-risk auditee.

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

II-A-09      Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-09      Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCY:**

CFDA Number: 84.394 ARRA State Fiscal Stabilization Fund Education State  
Grants, Recovery Act

Federal Award Year: 2009

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program  
10.555 National School Lunch Program

Federal Award Year: 2009

US Department of Agriculture

Passed through Iowa Department of Education

III-A-09 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, did not exceed the amended certified budget amounts in any of the four functions.

IV-B-09 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

# BALLARD COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

Year ended June 30, 2009

### Part IV: Other Findings Related to Required Statutory Reporting: (continued):

- IV-F-09      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09      Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
- IV-H-09      Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-09      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		1,451,986
Expenditures/transfers out:		
School infrastructure:		
Buildings and other improvements	\$ 723,068	
Debt service for school infrastructure:		
Revenue debt	<u>728,918</u>	<u>1,451,986</u>
Ending balance	\$	<u>          -</u>